

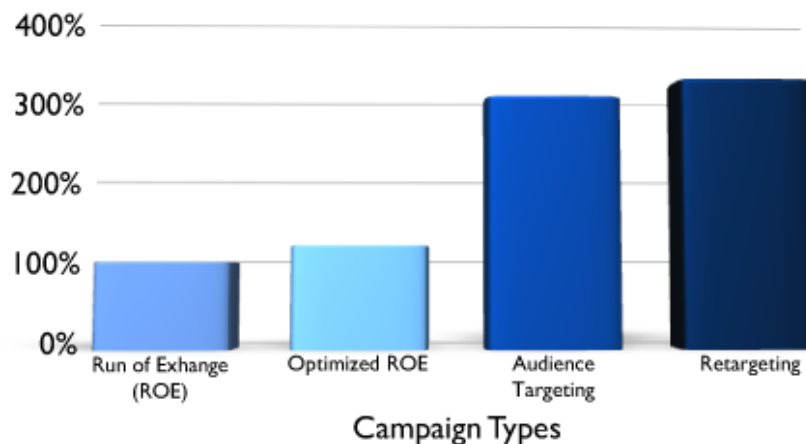
Comparing Exchange Targeting Strategies: Following the Crowd Will Cost You

Some travelers plan trips during peak season when the weather is prime and business is bustling; others prefer solitude and the allure of seeing a destination as the locals see it in the "off-season." The peak season traveler follows the crowd, and buys a vacation where and when everybody else does; as a result, they have shorter vacations, and end up paying a premium. The off-season traveler is open to more options, and is therefore able to negotiate better rates for a longer vacation. The same tradeoffs govern media buys; advertisers who follow the crowd buy at peak prices; advertisers who carefully consider their options find undervalued opportunities.

"Audience Targeting" using third party data and "Retargeting" your web site visitors are popular online advertising campaign tactics. Many advertisers use them because they drive more effective results than traditional ways of ad targeting based on media context. But advertisers are struggling to understand the relative costs of these and other new targeting approaches made possible by ad exchanges. In this edition of MarketPulse, we dig into the cost of media associated with these new tactics.

The chart below shows cost on a CPM basis for Optimized "Run-of-Exchange", Audience Targeting and Retargeting indexed to Run-of-Exchange cost.

Cost of Media for Different Exchange Targeting Strategies



Cost of Media Indexed to ROE = 100%
 Source: DataXu MarketPulse, September 2010

This analysis was prepared averaging cost of media across campaigns for consumer electronics, financial services, software, and automotive.

As shown in the chart, the cost of media for Audience Targeting using third party data is significantly greater than a generic Run-of-Exchange buy. This is because multiple buyers purchase similar audience data and aggressively bid for the relatively small number of impressions associated with the data. Similarly, Retargeting campaigns have a higher cost of media because even the largest retargeting lists are limited in size, and there are often multiple ad networks and DSPs bidding for these high value impressions. In contrast, Optimized Run-of-Exchange campaigns have a much lower cost of media. This is because Optimization works independently of audience targeting, instead continuously adjusting ad placements to replicate those that lead to conversions.

Data Highlights:

- The cost of media for **Optimized ROE** is **1.2X more expensive** than media for general ROE buys
- The cost of media for **Audience Targeting** is **3X more expensive** than ROE (but effectiveness as measured by CPA was **2.7x better for Optimized ROE than for Audience Targeting**)
- The cost of media for **Retargeting** is on average **3X more expensive** than ROE

"The data shows what the smart media buyers know: Audience Targeting and Retargeting are effective, but the scarcity of placement opportunities causes media prices to spike and impedes campaign scale," said Sandro Catanzaro, VP of Analytics and Innovation. "Optimization, however, is not similarly constrained as it works across a much wider swath of impressions, which enables more buying efficiency and scale."

A key take away from the data is that while Retargeting and Audience Targeting promise the right media at any price, optimization presents a different value proposition: the right media at the right price.

At DataXu, we recognize the complexity of today's digital campaigns. In addition to Audience Targeting and Retargeting, we offer advertisers and their agencies a unique optimization approach that considers more than 100 data parameters for each ad impression. We continually evaluate what ads are driving conversions and why, and put that knowledge into action through automated optimization across the ad exchanges and other major online display aggregators and publishers.

[DataXu's MarketPulse explores the data that defines today's digital advertising marketplace. Stay tuned for future insights from DataXu.](#)



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